CORPORATE GOVERNANCE

INSURANCE AUSTRALIA GROUP LIMITED'S APPROACH TO CORPORATE GOVERNANCE

Insurance Australia Group Limited (IAG, the Group, or the Company) is committed to attaining the highest level of corporate governance to help ensure the future sustainability of the organisation and to create long term value for its shareholders. To achieve this, IAG promotes a culture that rewards performance, integrity, respect and a considered sense of urgency.

The regulatory environments in which IAG conducts its businesses continue to have a major influence on the Group's corporate governance practices. Sound regulatory regimes are required to assist with the stability and sustainability of the general insurance sector in the countries in which IAG operates or intends to operate.

IAG believes that active engagement with governments, regulators and industry and professional groups helps ensure that the interests of IAG and its stakeholders are properly considered in the formulation of proposals to improve corporate governance, the general insurance regulatory and prudential regimes and insurance industry practices. In this context, IAG strives for regulation that enhances rather than stifles competition, protects consumers, encourages efficiency and promotes and sustains public confidence in general insurers and their products.

IAG is a member of The Australian Business Roundtable for Disaster Resilience & Safer Communities (Roundtable), which released a White Paper in June 2013 that details a more sustainable and comprehensive approach to managing natural disasters that could ultimately save lives, reduce damage to property and vital national infrastructure and free taxpayer money to spend on essential public services.

In July 2014, the Roundtable released a report highlighting that the Australian Government could save up to $15 billion by 2050, if it invested in natural disaster mitigation and created a national platform to share critical information about catastrophes.

Both the White Paper and the report on creating a national platform can be found on the IAG website at www.iag.com.au/sustainable.

Roundtable member organisations - Australian Red Cross, IAG, Investa Property Group, Munich Re, Optus and Westpac - have come together to champion safer and more resilient communities. Each organisation plays a crucial role in either community planning or disaster recovery and believes there is an opportunity to develop a national, long term approach to managing natural disasters through a co-ordinated resilience response that focuses on prevention.

IAG actively participates in the debate to improve Australia’s corporate governance regime, making submissions to Federal and State government committees, reviews and inquiries, and regulators in relation to new legislation, particularly regulation affecting the general insurance industry. As part of IAG’s commitment to open and transparent communication, all Australian public government submissions are available in the News Centre on IAG's website at www.iag.com.au. IAG has also contributed to changes to the New Zealand regulatory and legislative framework.

IAG representatives participate in forums, working parties and committees of domestic and overseas insurance industry associations, as well as accounting, actuarial and legal professional bodies, to help formulate responses to proposals to improve corporate governance, prudential and financial reporting standards and practices that particularly apply to the general insurance industry. Consistent with this and our purpose, IAG became a founding signatory to the United Nations Principles for Sustainable Insurance (UN PSI) in June 2012, and IAG’s Chief Transformation Officer, Leona Murphy is Co-Chair of the UN PSI Board.

The key corporate governance practices followed by IAG and its people are summarised below. They are not an exhaustive list of all corporate governance practices in place at IAG. Copies of IAG’s Board and Board Committee Charters and key corporate governance policies are on IAG’s website at www.iag.com.au/about/governance.

For the financial year ended 30 June 2014, IAG has complied with the Australian Securities Exchange Corporate Governance Council (ASXCGC) Principles and Recommendations (2nd edition). IAG has been an early adopter of the ASXCGC Principles and Recommendations (3rd edition) and is compliant from 19 August 2014.

PRINCIPLE 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 THE BOARD

The Board is responsible for protecting the interests of policyholders and to shareholders for the performance, operation and affairs of IAG. The Board’s principal roles are to provide leadership and to govern, rather than manage, IAG. The Board represents and serves the interests of the shareholders, collectively overseeing and appraising strategies, policies and performance of IAG.
The Board is responsible for oversight of IAG, including:
- driving and monitoring the strategic direction of IAG and approving Group strategies;
- approving significant corporate initiatives including major acquisitions, divestments and capital management transactions;
- setting IAG’s risk appetite;
- selecting appropriate candidates and recommending to IAG shareholders the election, re-election or removal of Non-Executive Directors;
- appointing the Chairman, evaluating Board processes and performance of the Board as a whole, as well as contributions by individual Non-Executive Directors;
- the integrity of IAG’s accounting and reporting systems, including the external audit process;
- ensuring the ongoing development, implementation and monitoring of IAG’s risk management and internal controls framework;
- reviewing the Board’s performance and the exercise of the Board’s delegated authority;
- evaluating regularly and, if necessary, replacing the Chief Executive Officer (CEO);
- reviewing CEO, Chief Financial Officer (CFO) and senior management succession planning; and
- setting standards for and ensuring that proper governance practices (including appropriate standards of ethical behaviour, corporate governance, workplace health & safety, social and environmental responsibility) are adhered to at all times.

Find out more about the Board’s responsibilities in the Board Charter on IAG’s website at www.iag.com.au/about/governance.

THE CEO
The Board has delegated responsibility for the overall management and profit performance of IAG, including all day-to-day operations and administration, to the CEO, who is responsible for:
- the efficient and effective operation of IAG;
- fostering a culture of performance, integrity, respect and a considered sense of urgency;
- ensuring the Board is provided with accurate and clear information in a timely manner to promote effective decision making by the Board; and
- ensuring all material matters affecting IAG are brought to the Board’s attention.

The CEO manages IAG in accordance with the policies, budget, corporate plan, strategies and risk appetite approved by the Board, and has the power to manage IAG, subject to the limits set out in the Charter of CEO Delegated Authority Limits attached to the Board Charter which is available at www.iag.com.au/about/governance.

1.2 APPOINTMENT OF DIRECTORS
The Board assesses the skills required to discharge competently its duties, having regard to IAG’s performance, financial position and strategic direction, including the specific knowledge, skills and experience that the Board determines one or more of the Non-Executive Directors must possess.

The Board assesses candidates for appointment to the Board, either when a vacancy arises or if it considers that the Board would benefit from the services of a new Director. Particular attention is given to the mix of skills, experience, diversity and expertise of existing Directors and how the candidate’s competencies will complement and balance these qualities. All new candidates for Board positions undergo IAG’s Fit & Proper assessment before being appointed to the Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the existing Directors must stand for election at the next annual general meeting (AGM).

The notice of AGM includes the appointment date and biographical details, including the relevant qualifications and experience and details of any other directorships held, of any new Non-Executive Directors and Non-Executive Directors seeking re-election. The Board advises shareholders of whether it supports the election or re-election of each Non-Executive Director by including a statement in the notice of AGM.

1.3 APPOINTMENT TERMS
Formal appointment letters have been issued to and signed by each Non-Executive Director, including the Chairman, to assist Non-Executive Directors in understanding the role of the Board and the corporate governance principles and practices it has adopted. The letters formally document the basis of each Non-Executive Director’s appointment including:
- the role of the Board and of Non-Executive Directors;
- corporate governance principles followed by IAG;
- the Chairman and the majority of the Non-Executive Directors are independent of the management of IAG;
- the right of Non-Executive Directors to obtain independent professional financial and legal advice, at the Company’s expense, to assist with discharging their duties efficiently;
- the right of access to management and IAG records;
- the indemnity and insurance arrangements available;
- the measures used, and the processes to be applied, by the Board to assess the individual performance of Non-Executive Directors, details of which are set out in section 1.6 below;
- the term of appointment and remuneration including superannuation rights;
- the circumstances that would cause a Non-Executive Director’s position to become vacant;
- the confidentiality of Board papers and presentations to the Board; and
- the requirement that Non-Executive Directors abide by IAG’s Code of Ethics and comply with its Continuous Disclosure and Security Trading Policies.
Employment agreements for the CEO and Executive team are for unlimited terms but may be terminated by written notice by either party. Details of these employment agreements are outlined in the Remuneration Report.

1.4 COMPANY SECRETARY
The Company Secretary is responsible to the Board for ensuring Board and Board Committee procedures are complied with and also providing advice and counsel to the Board in relation to the Company’s constitution, corporate governance and other matters.

The Company Secretary is also responsible for the timely dispatch of Board and Board Committee papers and the accurate recording of business discussed at the Board and Board Committee meetings in the minutes.

The Company Secretary also assists in the induction and ongoing professional development of Directors. The qualifications and experience of IAG’s Company Secretary are set out in the Directors’ Report.

All Directors have access to the Company Secretary and the appointment and removal of the Company Secretary is decided by the Board.

1.5 DIVERSITY
Diversity is a key aspect of IAG's strategy. IAG's diversity ambition is to respect and value the different experiences of its people and harness the opportunity and business benefits that diverse ideas and perspectives bring to IAG and its stakeholders.

Diverse thinking is key to create a culture of inclusion, ultimately increasing innovation and IAG's ability to service its customers and improve its business performance. Our approach is supported by an ongoing focus on diversity demographics such as age, ethnicity and gender. IAG's diversity policy statement can be found on IAG's website at www.iag.com.au/about/governance/codes.shtml.

Diversity activity
During the financial year, IAG took further steps towards fulfilling its diversity ambition, including:

- launching divisional Diversity and Inclusion Action Groups, designed to support IAG’s focus areas of gender, age and ethnicity while targeting initiatives that most support the needs of each division in IAG;
- continuing IAG’s family support program to provide support for people caring for children or the elderly;
- partnering with the University of Sydney in an Australian Research Council project exploring the management of age;
- providing personal accident insurance for employees aged 65 years and over, not covered by workers’ compensation;
- piloting an Experience Matters program across the CGU and NZI businesses, to provide mature workforce transition planning support for employees aged 50 years and over;
- increasing IAG leaders’ awareness of and commitment to creating a diverse and inclusive workplace, by including awareness of unconscious bias and diversity of thought modules in senior leader programs;
- holding flexible work forums for managers and employees looking to overcome barriers to implementing flexible work practices and identify areas of opportunity;
- continuing to provide one of the most generous and accessible parental leave programs in the financial services industry, including 14-weeks paid parental leave and an additional six week welcome back lump sum payment to Australian-based employees who are primary carers returning to work after having a child;
- continuing to hold a series of Inspiring Women Lunches, providing an opportunity for all employees to network; and
- in December 2013, renewing its commitment to support indigenous communities, with the launch of the 500th Reconciliation Action Plan (RAP) approved by Reconciliation Australia. IAG's RAP is also the first signed by a general insurance company. More information on the RAP and IAG’s other social commitments and activities are found in the IAG 2014 Annual Review.

The IAG Diversity and Inclusion Action Group includes senior representatives from each of the key businesses and its progress is actively monitored by the People and Remuneration Committee (PARC).

Diversity targets
IAG has publicly committed to a target of increasing the number of women in senior management positions to 33% by end of the 2015 financial year. Management is provided with quarterly diversity scorecards to track and monitor target progress.

A summary of the percentage of women in IAG's workforce is provided below:

<table>
<thead>
<tr>
<th>DIVERSITY OBJECTIVES</th>
<th>ACTUAL 2014</th>
<th>ACTUAL 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women in workforce</td>
<td>59 %</td>
<td>60 %</td>
</tr>
<tr>
<td>Board positions</td>
<td>33 %</td>
<td>25 %</td>
</tr>
<tr>
<td>Executive positions</td>
<td>25 %</td>
<td>29 %</td>
</tr>
<tr>
<td>Senior management positions</td>
<td>32 %</td>
<td>29 %</td>
</tr>
</tbody>
</table>

* These figures cover the workforce in Australia, New Zealand and Asia for the current year and Australia and New Zealand only in the prior year, with both excluding employees of the Wesfarmers insurance underwriting business.

The role of senior management positions at IAG is generally identified as the internal HR position code CEO-3 and above, however there are exceptions to this rule.
1.6 MEASURING THE PERFORMANCE OF NON-EXECUTIVE DIRECTORS
The Board conducts a formal review of its performance, composition, size and succession planning at least every three years with assistance from external experts. A formal review of the Board and each Non-Executive Director (including the Chairman) was conducted during the year, with assistance and input from an independent board performance expert. The review process involved the completion of questionnaires by Non-Executive Directors and Group Executives; interviews with the independent expert; the collation of results; and discussion with individual Non-Executive Directors and the Board as a whole led by the Chairman.

Each Non-Executive Director's performance is subject to annual evaluation by the Chairman, by discussion between the Chairman and the Director.

Measures of a Non-Executive Director's performance include:
- contribution to Board teamwork;
- contribution to debates on significant issues and proposals;
- advice and assistance given to management;
- input regarding regulatory, industry and social developments surrounding the business; and
- in the case of the Chairman's performance, fulfilment of the additional role as Chairman.

Individual Non-Executive Directors also evaluate the Chairman’s performance annually. The Boards and Committees of key operating subsidiaries also regularly review their own performance.

1.7 PERFORMANCE ASSESSMENT – CEO AND GROUP EXECUTIVES
Financial and non-financial goals are set through the completion of an individual balanced scorecard for each Group Executive in conjunction with the CEO at the commencement of each financial year. The goals are stretch goals and are designed to encourage Group Executives to strive for exceptional performance while ensuring IAG’s long term financial soundness. Achievement against these goals is the basis for assessing an individual Group Executive’s performance. The methods of assessment have been selected so that performance can be objectively measured and verified. At the end of each financial year the CEO completes a formal review of each Group Executive’s performance against the balanced scorecard goals set at the commencement of the year. These assessments are the basis for determining any short term incentive payments and for allocating long term incentives to Group Executives; they are reviewed by the PARC and approved by the Board.

Financial and non-financial goals and the performance of the CEO are determined and assessed by the Board using the same approach. Further detail on the CEO’s and Group Executives’ short and long term incentives is set out in the Remuneration Report.

Newly appointed Group Executives have access to an orientation program which includes meetings with other members of the Group Executive team and select senior managers to explain the details of IAG’s operations, financial position, strategies and risk management framework.

PRINCIPLE 2. STRUCTURE THE BOARD TO ADD VALUE
2.1 NOMINATION COMMITTEE
On 1 July 2014 the Nomination Committee (NC) was established and comprises Non-Executive Directors Brian Schwartz (Chairman), Yasmin Allen, and Philip Twyman. All members of the NC have the skills and experience necessary to fulfil this role as shown in their biographies within the Directors’ Report.

Prior to the establishment of the NC, the Board constituted the committee and had responsibility for the appointment of new Directors and the re-election of existing Directors.

The role of the NC is to support and advise the Board in fulfilling its statutory and fiduciary responsibilities by reviewing and recommending future Board candidates.

The NC assesses candidates and recommends to the Board the appointment, either when a vacancy arises or if it considers that the Board would benefit from the services of a new Director. The Board has adopted a framework for effective Director selection and Board succession to help ensure that the Board’s skills, competencies and knowledge match IAG’s strategic objectives. Some key tenets of the framework are:
- determining the skills, competencies, behaviours and experience required for an effective Board and the nature and measurement of these competencies;
- the Board should demonstrate diversity in age, personality, gender, work and life experience and comprise people who think differently and have different backgrounds; and
- the adoption of a formal approach to Director selection and a systematic and strategic approach for Board succession.

As the NC was formed on 1 July 2014 there were no meetings held in the year ended 30 June 2014. The NC Charter, which provides details of the NC’s responsibilities, is available on IAG’s website at www.iag.com.au/about/governance.
2.2 BOARD SKILLS
The Board currently comprises eight independent Non-Executive Directors, and Executive Director, Mr Michael Wilkins, IAG’s Managing Director and CEO.

The Board’s policy is to help ensure that the Board comprises Directors who collectively have the relevant experience, knowledge, diversity and skills required for IAG. This takes into account IAG’s current size, market position, complexity and strategic focus. In reviewing its composition, skills and requirements for Director succession, the Board is also mindful of the corporate governance practices and requirements for Directors.

A review of Board skills was undertaken in August 2013 and during 2014, and the collective skills of the current Board are in the areas of, but not limited to:
- risk and finance;
- asset and investment management;
- legal;
- business development;
- strategy;
- international experience;
- Asia/emerging markets;
- business/commercial acumen;
- general management;
- experienced CEO (listed company);
- experienced Board/Committee chairperson (listed company);
- marketing and customers;
- strategic HR; and
- strategic IT.

2.3 BOARD OF DIRECTORS
Directors are expected to continue as Directors only for so long as they have the confidence of their fellow Board members and the confidence of IAG’s shareholders.

The Board has a tenure policy for Non-Executive Directors to help ensure the Board comprises Directors who collectively have the relevant experience and skills required and assist in maintaining the independence of the Board. The policy, among other things, provides a standard tenure for a Non-Executive Director of up to 10 years, although the Board has the discretion to invite Non-Executive Directors to stand for an additional term which may take their total tenure beyond 10 years. Details of the current Non-Executive Directors’ tenure are shown below:

<table>
<thead>
<tr>
<th>INDEPENDENT NON-EXECUTIVE DIRECTORS</th>
<th>TERM IN OFFICE AT IAG (AT THE DATE OF THIS STATEMENT)</th>
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<tbody>
<tr>
<td>Brian Schwartz (Chairman)</td>
<td>9 years and 7 months</td>
</tr>
<tr>
<td>Yasmin Allen</td>
<td>9 years and 9 months</td>
</tr>
<tr>
<td>Hugh Fletcher</td>
<td>6 years and 11 months</td>
</tr>
<tr>
<td>Philip Twyman</td>
<td>6 years and 1 month</td>
</tr>
<tr>
<td>Peter Bush</td>
<td>3 years and 6 months</td>
</tr>
<tr>
<td>Alison Deans</td>
<td>1 year and 7 months</td>
</tr>
<tr>
<td>Raymond Lim</td>
<td>1 year and 7 months</td>
</tr>
<tr>
<td>Nora Scheinkestel</td>
<td>1 year and 2 months</td>
</tr>
</tbody>
</table>

The names of Directors in office at the date of this report, their year of appointment, experience, expertise and biographical details are set out in the Directors’ Report.

Potential conflicts of interests
Where the Board is required to approve a transaction or arrangement with an organisation in which a Director has an interest, the relevant Director must disclose his or her interest and abstain from voting. Directors with potential conflicts do not serve on any Board Committees that are appointed to oversee the implementation of transactions or arrangements with which the Directors’ interests may conflict.

2.4 DIRECTOR INDEPENDENCE
The Board has determined that it must comprise a majority of independent Non-Executive Directors and that the Chairman must be an independent Non-Executive Director. The Non-Executive Directors are free of any business or other relationship that could materially interfere with the independent exercise of their judgement. All current Non-Executive Directors have confirmed their continued independence.

The Board will determine whether each Non-Executive Director is independent, using the principles outlined in its Charter. Find out more about this at www.iag.com.au/about/governance.
2.5 THE CHAIRMAN
The Chairman is an independent Non-Executive Director and is responsible for ensuring the Board fulfils its responsibilities to IAG and stakeholders. The Chairman provides leadership to the Board and promotes constructive and respectful relations between Directors and between the Board and management. The Chairman presides at Board and general meetings of IAG.

2.6 NON-EXECUTIVE DIRECTOR INDUCTION, EDUCATION AND TRAINING
IAG encourages continuing professional education for each of its Directors. All Directors are expected to remain up-to-date in relation to issues affecting IAG, the general insurance industry and their duties as Directors. A letter of appointment notes the right of Non-Executive Directors to obtain independent professional financial and legal advice, at the Company’s expense, to assist with the efficient discharging of their duties.

New Non-Executive Directors have access to an induction program to introduce the Group Executives and the detail of IAG’s businesses. Induction includes individual meetings with the CEO, Group Executives and senior management.

Workshops are conducted, as required, to further Non-Executive Directors’ education on topics which include reinsurance, capital, risk management and investment management. Directors have unfettered access to Group Executives and the external auditor and are encouraged to meet with these Group Executives to further their knowledge and understanding of the organisation.

Executive Directors appointed to subsidiary and associated company boards are offered and encouraged to undertake training to help ensure they can continue to effectively and competently perform their roles as Executive Directors.

**PRINCIPLE 3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**
IAG takes ethical and responsible decision making very seriously. It expects its employees and Directors to do the same, as they are all accountable for ensuring that their behaviours, decisions and choices are:
- in accordance with all laws and regulations of the countries in which IAG operates; and
- consistent with the Group’s ethical principles as set out in IAG’s Code of Ethics (the Code) and the IAG policies and standards that relate directly to their duties.

The Code has been developed to provide all Group officers, employees and contractors with a framework to make good, informed business decisions and to act on them with integrity. The Code sets out the principles to guide the behaviours of every officer, employee and contractor in IAG. This means that when IAG’s stakeholders interact with IAG, they should feel assured that IAG will act in a responsible, ethical, transparent and honest way, wherever IAG operates.

The Code applies to all Non-Executive Directors, Group officers, employees and contractors for all entities where IAG has majority ownership or which are otherwise to be considered IAG subsidiaries.

In some regions the Code is also supported by a Code of Conduct, which provides more specific guidance for operating in the local legal and regulatory environments.

Find out more about the IAG Code of Ethics, Codes of Conduct for Australia and New Zealand and The Way We Choose To Do Business on IAG’s website at www.iag.com.au/about/governance.

**PRINCIPLE 4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

4.1 AUDIT COMMITTEE
In February 2014, in line with Australian Prudential Regulatory Authority (APRA) requirements, the Audit, Risk Management and Compliance Committee (ARMCC) was replaced by the Audit Committee (AC) and the Risk Committee (RC).

The AC comprises five Non-Executive Directors: Nora Scheinkestel (Chairman), Yasmin Allen, Alison Deans, Hugh Fletcher and Philip Twyman. All members of the AC have financial management experience as shown in their biographies in the Directors’ Report.

The main role of the AC is to assist the Board in fulfilling its statutory and fiduciary responsibilities by monitoring:
- the integrity of IAG and subsidiary external and internal financial reporting, including compliance with applicable laws, regulations and other requirements in relation to external financial reporting;
- the provision of high quality financial and non-financial information to Directors and management that reflects a true and fair view of the Company performance and can be relied on by them to make informed judgements;
- tax and financial risks; and
- that the independence of the Auditor, Group General Manager Internal Audit, Group Actuary and the Global External Peer Review Actuary is safeguarded.

The AC will provide prior endorsement to the Board on the appointment, reappointment and rotation of the audit engagement partner, removal and remuneration of the Auditor and will assess total fees paid for all non-auditor services provided by the Auditor.

The AC is also empowered as the AC of IAG’s insurance subsidiaries, except for Insurance Manufacturers of Australia Pty Limited and those entities which have established their own ACs. In addition, the AC acts as the Audit Committee for IAG Finance (New Zealand) Limited, a company with securities listed on the ASX.

The AC (including the previous ARMCC) met five times during the reporting period and member attendance at each meeting is shown in the Directors’ Report.

The AC Charter, which provides details of the committee’s responsibilities, is available on IAG’s website at www.iag.com.au/about/governance.
4.2 ASSURANCES
The Board has received assurance from the CEO and CFO that the annual declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

4.3 EXTERNAL AUDITOR
The external Auditor attends the AGM and is available to answer shareholders’ questions received prior to the AGM and asked at the AGM, concerning the conduct of the audit, the preparation and content of the Auditor’s Report, the accounting policies adopted and auditor independence.

PRINCIPLE 5. MAKE TIMELY AND BALANCED DISCLOSURE
IAG’s Continuous Disclosure Policy reinforces its commitment to continuous disclosure, as well as the responsibility of all employees regarding inside information.

The Continuous Disclosure Policy includes a protocol outlining how information is released to the public and provides examples of what could constitute inside information. The IAG Continuous Disclosure Policy is available online at www.iag.com.au/about/governance.

IAG is committed to timely, factual and balanced disclosure to help ensure investors are informed of material developments for the Group. Care is taken to help ensure announcements do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of information when making investment decisions.

All announcements are subject to a minimum of two sign-off reviews at senior levels within IAG before release to the ASX. The CEO or CFO jointly with the Chairman or any other Director must jointly approve announcements of particular significance where time does not permit a full Board to be convened. All IAG announcements to the ASX are available online at www.iag.com.au.

Policies have been designed and established to ensure compliance with the ASX Listing Rules’ disclosure requirements and to help ensure accountability at a senior Executive level for that compliance. In accordance with its Continuous Disclosure Policy, IAG is committed to ensuring all investors have access to information on IAG’s financial performance. IAG posts on its website all investor and media material released to the ASX, including:

- annual and interim reports;
- investor and media releases and presentations of half year and full year results;
- webcasts of CEO and CFO presentations at half year and full year results announcements;
- notices of general meetings and explanatory material;
- the Chairman’s and CEO’s addresses to the AGM;
- investor and media releases and presentations regarding divestments and acquisitions;
- investor and media presentations given at investor strategy sessions and other one-off events; and
- all other information released to the market.

PRINCIPLE 6. RESPECT THE RIGHTS OF SHAREHOLDERS
6.1 INFORMATION AND GOVERNANCE
IAG maintains a comprehensive website at www.iag.com.au providing shareholders with information about IAG, including links to the Corporate Governance policies adopted by IAG. The website also provides links to the biographies of the Board members and the Group Executives.

IAG also maintains a separate Shareholder Centre page on its website to provide shareholders with links to annual and interim reports, a key events calendar, share price history, dividend payments made on IAG ordinary and preference shares by year and links to IAG public announcements. Shareholders are also able to access details of their holdings of IAG securities.

These web sites are actively promoted to all shareholders on dividend payment statements and in AGM materials.

6.2 INVESTOR RELATIONS PROGRAM
Shareholders and investors can raise any issues or concerns at any time by contacting the Company by email at investor.relations@iag.com.au. Alternatively shareholders and investors can write to the Chairman or Company Secretary at Insurance Australia Group Limited, Level 26, 388 George Street, Sydney NSW 2000, Australia.

Shareholders are provided with a Question Form with their AGM documentation. Shareholders who are unable to attend the AGM are encouraged to ask questions as they submit their voting intentions either online or when mailing back the voting form. Questions received from shareholders are collated and, during the course of the AGM, the Chairman or CEO responds where possible to the most frequently asked questions.
6.3 PARTICIPATION AT GENERAL MEETINGS
Shareholders are encouraged to attend AGMs and ask questions of the Chairman and the Board. IAG is mindful of the need to adopt best practice in the drafting of notices for general meetings and other communications to help ensure that they are honest, accurate, informative and not misleading. All AGM material can be found on IAG's website at www.iag.com.au/shareholder/agm.

IAG shareholders and authorised intermediaries such as custodians are offered online proxy and direct voting to facilitate lodgement of their votes on resolutions put to general meetings. The AGM is also webcast for viewing by shareholders and other interested parties on IAG's website at www.iag.com.au/shareholder/agm.

6.4 ELECTRONIC COMMUNICATIONS
IAG actively promotes to shareholders the benefits of using electronic communications. As at 31 July 2014, 21.8% of shareholders had registered their email address. Shareholders who use this service are advised when communications including the annual and interim reports, annual reviews, dividend advices and holding balance statements are available to be accessed via the internet.

IAG also has an email alert system for investors, beneficial owners and other interested parties who may not be shareholders to receive advice of important media releases, financial announcements, presentations and annual reports as they are released to the market through the ASX.

PRINCIPLE 7. RECOGNISE AND MANAGE RISK
In February 2014, in line with APRA requirements, the Audit, Risk Management and Compliance Committee (ARMCC) was replaced by the Audit Committee (AC) and the Risk Committee (RC).

Managing risk is central to the sustainability of IAG's business and the delivery of shareholder value. IAG’s risk management framework is a core part of its governance structure and includes internal policies, key management processes and culture.

In October 2013, IAG appointed a Group Chief Risk Officer (CRO) reporting to the CEO. The CRO oversees risk activities across IAG and is supported by a governance and risk function and divisional risk and compliance functions. Further details on risk management at IAG are included in the notes to the Financial Statements.

7.1 RISK COMMITTEE
The RC comprises five Non-Executive Directors: Philip Twyman (Chairman), Yasmin Allen, Alison Deans, Hugh Fletcher and Nora Scheinkestel. All members of the RC have relevant experience as shown in their biographies in the Directors’ Report.

The RC assists the Board to discharge its responsibility to exercise due care, skill and diligence regarding:
- effective management of material risks to which IAG is exposed and oversight of risk management and control systems for adequacy and effective function;
- monitoring IAG’s compliance with the Group Risk Management Strategy (Group RMS), Group Reinsurance Risk Management Strategy (Group REMS) and other governance and risk related Group Policies identified in the Group RMS;
- effective operation and management of compliance systems and to help ensure compliance with the requirements of applicable laws, regulations, industry codes, listing authorities’ rules and organisational policies and standards;
- oversight of the Group’s risk management and governance frameworks; and
- safeguarding the independence of the CRO, the Group General Manager Risk and Governance and Chief Actuary.

The RC (including the previous ARMCC) met five times during the reporting period and member attendance at each meeting can be found in the Directors’ Report. The RC Charter, which provides details of the RC's responsibilities, is available at www.iag.com.au/about/governance.

7.2 REVIEW RISK MANAGEMENT FRAMEWORK
The RC assists the Board in discharging its risk management responsibilities and has oversight of the Group’s risk management and governance frameworks and material risks to which the Group is exposed. The RC reviews and endorses IAG’s risk management policy and is satisfied that the governance frameworks in place are effective, remain appropriate and are operationally sound. The Board receives information on risk matters of particular significance and regular updates from the Chairman of the RC.

IAG's Group Risk and Governance function provides regular reports to the RC on the operation of IAG's risk management framework, the status of key risks, risk and compliance incidents and risk framework changes. Divisional risk and compliance functions also report regularly to divisional committees.

The RC considers IAG’s enterprise risk profile, risk appetite and core risk documents on an annual basis. In addition, business Executives are required to attend and report to the RC on the effectiveness of the risk management frameworks embedded in their respective business divisions.
At an Executive level, risk management is delegated to the Group CEO who is assisted in discharging risk management responsibilities by the IAG Executive Risk Committee (ERCO) and the Asset and Liability Committee (ALCO). ERCO operates in accordance with its Charter and with delegations from the Group CEO, who is ERCO’s Chairman. ERCO oversees the development and implementation of IAG’s risk management framework and governance arrangements in respect of operational, insurance and strategic risk. ERCO comprises the divisional CEOs, the Group CRO and the Group General Manager Risk and Governance. ALCO oversees financial risks (such as reinsurance and capital) and some aspects of insurance risk. ALCO operates in accordance with its charter and comprises the Group CEO and Group CFO and Group General Managers involved in the management of financial related risks.

IAG operates a “Three Lines of Defence” approach to risk management. The First line (risk owners) own their risks and their management. The Second line (risk advisers) is typically the risk and associated functions and the Third line is the independent audit functions.

As risk owners all Group Executives are responsible for:
- overseeing implementation of Board-approved policies;
- overseeing the ongoing implementation of, and compliance with, the Group's RMS, REMS, business insurance licences, internal control system and monitoring IAG’s risks;
- authorising capital allocation to major projects within financial delegation limits approved by the CEO and Board;
- conducting periodic financial performance reviews of the business divisions;
- reviewing performance in the areas of health, safety, environment and community;
- reviewing the effectiveness of governance practices established at the business division level;
- reviewing human resource performance and reward strategies;
- promoting and reinforcing IAG’s risk management culture;
- reviewing corporate strategies and the performance of IAG and its business divisions compared to budgets and corporate plans;
- formulating recommendations to the Board concerning issues related to capital management and risk management, including reinsurance, credit risk and asset allocation;
- conducting periodic financial performance reviews of IAG’s businesses; and
- reviewing the effectiveness of governance practices established at the IAG level.

7.3 INTERNAL AUDIT FUNCTION

The Board has established the Group Internal Audit function as a key component of IAG’s governance framework. The Group Internal Audit function's objective is to evaluate and improve the effectiveness of internal controls, governance processes and overall risk management, via its independent and objective review program and to:
- provide assurance to the Board that IAG’s financial and operational controls designed to manage the Group's risks and regulatory obligations, and achieve its objectives, are operating in an efficient, effective and ethical manner; and
- assist management in improving IAG’s business performance.

The Group General Manager, Internal Audit reports functionally to the AC and administratively to the Group CRO, with direct access to the CEO and the AC.

7.4 ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISK

IAG is the only Australian-based general insurer that is a signatory to the Principles for Sustainable Insurance (PSI) launched in June 2012 as part of the United Nations Environment Program Finance Initiative (UNEPFI). The PSI is a set of voluntary global principles to guide insurers to:
- embed in their decision-making relevant environmental, social and governance issues;
- work together with clients and business partners to raise awareness of these issues;
- manage risk and develop solutions; and
- work together with governments, regulators and other key stakeholders to promote widespread action across society.

Part of IAG’s commitment to implementing the PSI principles is ensuring that IAG has governance systems - structures, values, principles, frameworks and policies - to define its decision-making context and the boundaries for managing operations sustainably. Responsibility for adhering to these systems sits at every level of the organisation. IAG's Board takes overarching responsibility for monitoring the development, implementation and reporting of IAG’s approach to the proactive management of risk that drives sustainable outcomes and how effectively IAG responds to stakeholders.

As well as actively managing sustainability risks internally, IAG believes it also has a responsibility to share its knowledge about risk to make communities more resilient and help people live safer lives. It does this by promoting better understanding and reduction of risks on the road, at home, in business and in the natural environment. IAG’s work in the natural environment risk area includes formation of the Roundtable with the CEOs of the Australian Red Cross, IAG, Investa Property Group, Munich Re, Optus and Westpac in December 2012. The Roundtable was created because each member CEO believes that having resilient communities that can adapt to extreme weather events is of national importance.

More information about how IAG shares its risk management expertise and details of other sustainability activities, including how IAG defines and addresses the issues it faces, can be found in the 2014 Annual Review.
PRINCIPLE 8. REMUNERATE FAIRLY AND RESPONSIBLY

8.1 PEOPLE AND REMUNERATION COMMITTEE

The four members of the People and Remuneration Committee (PARC) are Yasmin Allen (Chairman), Peter Bush, Raymond Lim and Brian Schwartz.

The PARC assists the Board in fulfilling its statutory and fiduciary responsibilities by:

- monitoring the development and implementation of Group and divisional people and culture strategies;
- monitoring the development and implementation of IAG’s workplace, health and safety framework and strategies;
- reviewing succession plans for Executives that report to the CEO and other senior Executives;
- providing assurance to the Board relating to the effectiveness, integrity and compliance with IAG’s remuneration policies and practices;
- assessing whether the Group Remuneration Policy is effective and complies with regulatory requirements on remuneration including those specified in the Corporations Act and APRA’s prudential standards;
- monitoring the appropriateness and relevance of the Group Reward Strategy and its approach to deliver the strategic goals of IAG; and
- overseeing Board composition of designated IAG subsidiary and associated companies.

The PARC is also empowered as the remuneration committee of IAG’s subsidiaries that are authorised general insurers in Australia, except for Insurance Manufacturers of Australia Pty Limited, which has a separate remuneration committee.

The PARC met four times during the reporting period and member attendance at each meeting is shown in the Directors’ Report.


8.2 GROUP REMUNERATION POLICY

Details of IAG’s remuneration policies for its Non-Executive Directors and senior Executives are disclosed in the Remuneration Report. The Remuneration Report highlights the balance between fixed pay, short term incentive and long term incentive, and includes details of the remuneration paid and the relationship to IAG’s performance. IAG’s minimum shareholding requirement policy for senior Executives and Non-Executive Directors and ‘clawback’ policy are also outlined.

8.3 EQUITY BASED REMUNERATION

IAG Non-Executive Directors, the CEO and Group Executives are prohibited from entering into, varying or terminating transactions or arrangements which operate to limit the economic risk of their unvested entitlements to IAG securities (such as Executive Performance Rights, Performance Award Rights and Deferred Award Rights) and vested IAG securities which form part of their mandatory holding of IAG ordinary shares. Details of IAG’s equity based remuneration policy for the CEO and Group Executives are shown in the Remuneration Report.